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Federal Communications Commission
Office of the Secretary

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of

San Francisco Unified School District

For Renewal of License for Station KALW(FM),
San Francisco, California

) MB Docket No. 04-191
)
)
)
) Facility ID No. 58830
) File No. BRED-19970801YA

To: Office of the Secretary to forward to:
Chief Administrative Law Judge Richard L. Sippel

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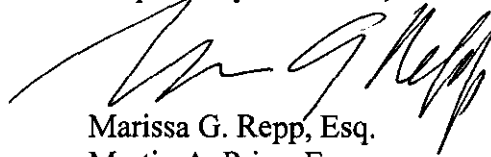
MOTION TO MOVE INTO RECORD

As directed by *Order*, FCC 05M-28 (rel. Jun. 1, 2005) of the Presiding Administrative Law Judge, San Francisco Unified School District ("SFUSD"), by its counsel, hereby moves for the entry into the evidentiary record of this proceeding as SFUSD Exhibit 75 the attached SFUSD Exhibit No. 75, which is the certification that Station KALW(FM), San Francisco, California, broadcast public notices on May 22, 23, 24, and 25, 2005, in accordance with *Order*, FCC 05M-21.

In addition, as discussed at the hearing in this matter, SFUSD moves for the entry into the evidentiary record of this proceeding the attached documents labeled as SFUSD Exhibits Nos. 78, 78-A, 78-B and 78-C, as relevant to the licensee's ability to pay in regards to the forfeiture determination set forth in the *Hearing Designation Order* in this docket. See 47 C.F.R. Section 1.80(b)(4) (factors considered in determining the amount of the forfeiture penalty include, *inter alia*, ability to pay). As set forth in his declaration at SFUSD Exhibit No. 78, Myong Leigh, Chief of Policy and Planning, SFUSD, is a competent witness to sponsor these exhibits relating to the financial situation of SFUSD and KALW.

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Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Marissa G. Repp', written over the typed name.

Marissa G. Repp, Esq.

Martin A. Price, Esq.

Hogan & Hartson, L.L.P.

555 Thirteenth Street, N.W.

Washington, D.C. 20004-1109

(202) 637-5600

Counsel to the San Francisco Unified School District

June 20, 2005

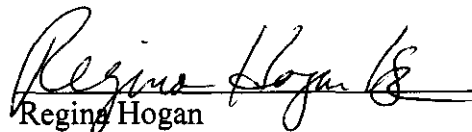
Certificate of Service

I, Regina Hogan, hereby certify that on this 20th day of June, 2005, a copy of the foregoing **Motion To Move Into Record** was sent by hand-delivery to:

Chief Administrative Law Judge Richard L. Sippel
Federal Communications Commission
445 12th Street SW, Room 1-C768
Washington, DC 20554

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Special Counsel
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Federal Communications Commission
445 12th Street, SW, Room 4-C330
Washington, DC 20554


Regina Hogan

KALW(FM)**LOCAL PUBLIC NOTICE OF DESIGNATION FOR HEARING
CERTIFICATION OF BROADCASTS**

The undersigned hereby certifies under penalty of perjury that local public notice of designation for hearing announcements were broadcast over KALW(FM), San Francisco, California, on the following dates at the following commencement times:

<u>DATE</u>	<u>TIME</u>
May 22, 2005	<u>8:01</u> p.m.
May 23, 2005	<u>4:45</u> p.m.
May 24, 2005	<u>4:45</u> p.m.
May 25, 2005	<u>4:45</u> p.m.

The text of the announcement is attached hereto.

Date: 5/26/05

Signature: Alan Farley

Printed Name: ALAN FARLEY

Title: ANNOUNCER/OPERATOR

KALW(FM)

Local Public Notice of Designation for Hearing

The application of the San Francisco Unified School District ("SFUSD") for renewal of its license to operate KALW(FM), 91.7 MHz, San Francisco, California, in the public interest was tendered for filing with the Federal Communications Commission on August 1, 1997. After considering this application, the FCC has determined that it is necessary to hold a hearing to decide the following questions: whether SFUSD falsely certified its application with respect to the completeness of the KALW public inspection file and the effect thereof on its qualifications to be a Commission licensee; whether SFUSD made misrepresentations of fact or was lacking in candor and/or violated Section 73.1015 of the Commission's Rules with regard to its certification in the subject license renewal application that it had placed in the KALW public inspection file at the appropriate times the documentation required by Section 73.3527, and the effect thereof on its qualifications to be a Commission licensee; whether, pursuant to Section 503(b)(1) of the Communications Act of 1934, an order of forfeiture in an amount not to exceed \$300,000 shall be issued against SFUSD for willful and/or repeated violations of Sections 73.1015, 73.3527, and/or 73.3613 of the Commission's Rules, which occurred or continued within the applicable statute of limitation; whether, in light of the evidence adduced pursuant to the specified issues, if the application for renewal of license for station KALW should be granted; whether station KALW provided meritorious service during the periods of November 3, 1996 to November 3, 1997, and July 16, 2003 to July 16, 2004; whether SFUSD through its agents made misrepresentations of fact and/or lacked candor before the Commission during, or in connection with, the discovery testimony taken by the Enforcement Bureau on September 28, 2004. The hearing will be held at the FCC commencing at 9:30 a.m., on June 6, 2005. Members of the public who desire to give evidence concerning the foregoing issues should write to the Federal Communications Commission, Washington, DC 20554, not later than June 3, 2005. Letters should set forth in detail the specific facts concerning which the writer wishes to give evidence. If the FCC believes that the evidence is legally competent, material, and relevant to the issues, it will contact the person in question. A copy of the license renewal application and related materials are on file for public inspection at Station KALW, at 500 Mansell Street, San Francisco, California 94134.

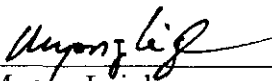
Declaration of Myong Leigh

I, Myong Leigh, do hereby declare:

1. I am Chief of Policy and Planning of the San Francisco Unified School District ("SFUSD" or the "District").
2. Accompanying this Exhibit is SFUSD Exhibit No. 78-A, which is the District's Annual Financial Report dated June 30, 2004 ("2004 Annual Financial Report"). I participated in the preparation of the 2004 Annual Financial Report. In the section entitled "Schedule of Findings and Questioned Costs," at page 64, it is noted that the District continued its pattern of deficit spending during the 2003-04 fiscal year, resulting in a deficit in available reserves of \$6.9 million at June 30, 2004. Further, at pages 64-65, causes of the deficit are discussed, including reduced State revenues, costs of fringe benefits, declining enrollment which has reduced revenue limit funding, and the increase in charter schools which cost the District more than the revenues it receives for such schools. Page 65 of the 2004 Annual Financial Report includes the recommendation that the District reverse its deficit spending, and states that without new sources of significant revenue, significant spending cuts will be necessary. The 2004 Annual Financial Report reports that District management concurs with the recommendation to achieve expenditure reductions and that the District is investigating and/or implementing hiring freezes, reductions in central office staff, furloughs, reductions in all discretionary budgets, and decreases in special education and child development programs. As the SFUSD fiscal year runs from July 1 to June 30, the Annual Financial Report for the Fiscal Year July 1, 2004 to June 30, 2005 has not yet been completed.
3. Accompanying this Exhibit is SFUSD Exhibit No. 78-B, which is the SFUSD Summary of Budget Outlook for FY 2005-06 (Revised May 18, 2005) ("2005-06 Budget Outlook"). I prepared the 2005-06 Budget Outlook. It notes that the District's deficit for Fiscal Year 2004-05 is expected to be \$4.9 million and the District's deficit for Fiscal Year 2005-06 is expected to be \$22.3 million unless cost saving measures are implemented. Among the possible gap closing strategies are reducing District contributions to special programs, special education, transportation, child development and student nutrition programs; elimination of central office positions, furloughs and school closures.
4. Accompanying this Exhibit is SFUSD Exhibit No. 78-C, the KALW-FM Radio Financial Statements for the Year Ended June 30, 2004, which includes the Independent Auditor's Report prepared by Bunker and Company.
5. I understand that this declaration and referenced exhibits will be proffered by SFUSD in MB Docket No. 04-191.

I declare under penalty of perjury that the foregoing is true and correct.

Signature:


Myong Leigh

Executed on June 16, 2005

**SAN FRANCISCO UNIFIED SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2004

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

OF SAN FRANCISCO COUNTY

SAN FRANCISCO, CALIFORNIA

JUNE 30, 2004

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dan Kelly, M.D.	President	2007
Eddie Y. Chin, J.D.	Vice President	2007
Heather A. Hiles	Member	2007
Eric Mar, Esq	Member	2005
Jill Wynns	Member	2005
Mark Sanchez	Member	2005
Sarah Lipson	Member	2007

ADMINISTRATION

Arlene Ackermann

Superintendent

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
San Francisco Unified School District
San Francisco, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco Unified School District (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the San Francisco Unified School District, as of June 30, 2004, and the respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis information on pages 3 through 8 and budgetary comparison information on pages 42 and 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures and changes in fund balance have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vawrinek Trine Day + Co. LLP

San Jose, California
January 18, 2005

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

PROFILE OF THE DISTRICT

The San Francisco Unified School District (SFUSD) promotes on-going student achievement and school success and is served by an outstanding staff committed and dedicated to academic excellence for all students. School administrators are passionate, lifelong learners who believe in the value of quality public education and providing quality service for student success. The district is the fifth largest school district in California, and currently educates over 58,000 students who live in the 50 square mile area of the City and County of San Francisco. The San Francisco Unified School District was established in 1851. The District is governed by an elected Board of seven members. The District also administers the County Office of Education. The District and County Office of Education provide pre-Kindergarten, elementary and secondary education in the City and County of San Francisco. The District has also sponsored ten (10) active Charter Schools.

Delivering a wide variety of instructional and supportive services requires a large staff and a number of physical plants. San Francisco Unified School District currently has:

- 75 elementary schools and K-8 schools
- 18 middle schools
- 18 senior high schools (including two continuation schools and an independent study school)
- 1 adult education program
- 28 state-funded preschool sites

The majority of SFUSD's schools have designated attendance areas giving priority to students living within those attendance boundaries. The remainder of our schools are "alternative schools" with no designated attendance area. All SFUSD schools enroll students based on parental request and provide opportunities for parental choice in enrollment. San Francisco public high schools offer substantially different program offerings in addition to the foundation college preparatory curriculum, which provide for varied student interests in career preparation.

The ten active Charter Schools sponsored by the district are Creative Arts, Life Learning, Gateway High School, Leadership High School, Five Keys Academy, KIPP Bay View Academy, KIPP Bay Academy, City Arts and Technology High School, Metropolitan Arts and Technology High School and Cross Cultural (XCEL) Academy.

The District is a member of SPURR, Northern California Regional Excess Liability Fund (NCR), SAFER, and School Excess Liability Fund (SELF) joint power authorities (JPA's).

The priorities of the San Francisco Unified School District are articulated in Excellence for All, its five-year comprehensive plan for academic achievement, and reflect the objective that all students will have access to and will receive a high quality education. Each year, the District assesses its progress against its priorities, goals and objectives. The District's budget is also organized with the delivery of resources that will address goals and priorities that will foster success and academic excellence for all students.

The District's staff members share a commitment and dedication to enhancing programs that will create the foundation for all students to achieve success. Through the ongoing and expanding use of evaluation data, the SFUSD will continually reassess its efforts and the related allocation of resources in pursuit of academic excellence. In the current process of reevaluating the district's effort, it is also the District's goal to continue to close the gap and enhance programs that will help every student achieve his or her potential. The District's staff has been encouraged to maintain the teamwork and sense of community that is so crucial during our current period of on-going unpredictable financial resources and economic downturns.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

FINANCIAL HIGHLIGHTS

2004 RESULTS OF OPERATION

Unrestricted General Fund Results of Operations

During FY 2003-2004, the District's Unrestricted General Fund balance, including designated balances and adjusting for one-time prior period adjustments, decreased from \$15,423,520 to \$3,514,953. The District's designated and reserved balances equal \$10,865,258, leaving an undersigned balance of (\$7,350,308). The District, in June 2004, settled an outstanding legal dispute (see Note 3) and was awarded a \$32 million settlement. The District recognized one-half of the settlement proceeds as revenue in the 2003-04 fiscal year. The remaining \$16 million will be recognized in the 2004-05 fiscal year. Had the remaining \$16 million been recognized in the 2003-04 year, the District's unrestricted, undesignated ending fund balance would have been \$8,699,694.

Excluded from the current year General Fund financial results is a revenue limit adjustment of approximately \$10 million. The District has reached an agreement with the State of California to repay this amount over a ten-year period, without interest. The adjustment results from a change in the way the State's revenue limit form calculates the District's State Aid portion of the revenue limit.

General Fund Ending Balance and Reserves

The District's combined General Fund ending balance at June 30, 2004 (restricted plus unrestricted) is \$20,638,691. However, the District has restricted program fund balances of \$17,123,739. Those funds will largely be used for instructional activities, but their use is restricted for specific program activities, thus we cannot count these balances as part of our available, i.e., unrestricted reserves. In addition, we have legally reserved balances of \$541,258, and we have \$10,324,000 in Board Designated monies currently earmarked for the School of the Arts (SOTA). These monies are likewise also excluded from our unrestricted reserve balances.

The following comparison of revenue and expenditures focuses solely on our General Fund operations. Table 1 shows the year-to-year revenue comparisons and Table 2 shows the same comparison for expenditures.

Table 1

	2003	2004	Variance
Revenue limit sources	\$ 262,064,932	\$ 263,341,371	\$ 1,276,439
Federal sources	37,794,166	41,053,216	3,259,050
Other state sources	111,938,997	97,753,465	(14,185,532)
Other local sources	39,186,958	62,678,405	23,491,447
	<u>\$ 450,985,053</u>	<u>\$ 464,826,457</u>	<u>\$ 13,841,404</u>

The 2004 revenue limit number does not include the impact of the revenue limit adjustment previously noted above in the amount of approximately \$10 million. In reality, our revenue limit source revenue actually decreased by \$8.8 million in 2004 as compared to 2003. Continued budget pressures at the State level accounted for the drop in other State revenue. The increase in other local source revenue was impacted by the recognition of one-time proceeds from the settlement of litigation in the amount of approximately \$16 million.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Table 2

	2003	2004	Variance
Instruction	\$ 236,208,146	\$ 212,627,812	\$ (23,580,334)
Instruction related activities	70,365,059	71,725,976	1,360,917
Pupil Services	24,633,845	28,438,854	3,805,009
General administration	58,459,071	56,698,313	(1,760,758)
Plant services	38,216,656	39,654,997	1,438,341
Facility acquisition and construction	4,751,047	4,462,575	(288,472)
Ancillary services	1,950,728	1,786,951	(163,777)
Community services	14,164	14,568	404
Other (outgo)	35,245,061	45,235,854	9,990,793
Debt service	1,540,500	1,732,033	191,533
Transfers out	14,773,643	11,866,028	(2,907,615)
	<u>\$ 486,157,920</u>	<u>\$ 474,243,961</u>	<u>\$ (11,913,959)</u>

Our general fund expenditures decreased overall by \$11.9 million in 2004 as compared to 2003. The District made significant personnel cuts across the board and reduced funding from state categorical programs had a similar impact on the related expenditures for those programs, most of which are in instruction and instruction related activities. The decrease in staffing more than offset significant increases in health and welfare benefits. The increase in other outgo is primarily the result of Charter School transfers (\$2.3 million) and increased General Fund support of the County School Service Fund and Child Development Fund.

FY 2004-05 BUDGET

The FY 2004-05 Budget was developed reflecting the ongoing review and reduction, where appropriate, of central office budgets and the implementation of the Weighted Student Formula for school sites.

Since School Year 2002-03, the Weighted Student Formula (WSF) has been the District's primary method of allocating funds directly to schools. Instead of delivering resources in the form of staff through Full-Time Equivalent (FTE) allocations, as had previously been the case, resources are now allocated in denominations of dollars.

Funding levels of the WSF are based on student needs. A basic funding amount by grade level is provided for each student and supplemented by an additional amount if the student is an English Learner or comes from a low-socioeconomic household. In addition, budgetary decisions are made by the School Site Councils instead of centrally. This process of site-base budgeting allows schools to be more creative and responsive to their unique needs and encourages more parents and site staff to be involved in their school process of academic planning and budgeting.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

The District is currently investigating and negotiating plans to meet the future financial challenges that are certain to impact the District with a number of cost-cutting strategies, to include closure and consolidation of some schools, negotiating collective bargaining provisions to reduce fringe benefits costs, hiring freezes, reduction in staff, possible furloughs and reductions in all discretionary budgets. Additionally, the District is working with its Special Education and Child Development program managers to determine how spending levels in each program can be decreased. Together, these measures are estimated to generate in excess of \$11 million in savings.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary fund* statements offer financial information about the activities the district operates on a cost reimbursement basis, such as the self-insurance fund.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. Fiduciary fund activity is excluded from the district-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with comparisons of the District's General and County School Service Fund budgets, both the adopted and final version, with year end actuals.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets may be an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District's property tax base, its student enrollment data, the State's fiscal health and the condition of school buildings and other facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide reconciliations between the District-wide statements and the Fund financial statements.
- *Proprietary funds* - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. Internal service funds (one kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the self-insurance fund.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The district's combined governmental funds net assets at June 30, 2004 totaled \$397.5 million. Of this amount, \$392.9 million is the net investment in fixed assets; \$27.5 million is restricted for various purposes, leaving an unrestricted net deficit of \$22,955,084. See note 9 to the financial statements for a reconciliation of this deficit balance with the unrestricted deficit shown in the General Fund. The net increase in net assets in fiscal year 2003-04 was \$6.6 million as of June 30, 2004 net of prior period adjustments of \$3.5 million. Bond and lease proceeds received into the Building Fund, aggregating approximately \$36 million, were the main reason why our net assets increased on a district-wide basis.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the close of the year ended June 30, 2004, the District's fixed assets totaled \$512.3 million. Accumulated depreciation was \$101.1 million at year end. Depreciation expense for the year totaled \$14.5 million. Net book value (the amount of total assets after applying depreciation) increased by \$9.9 million to \$411.2 million.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

The District excludes from its fixed assets any individual capital acquisitions less than \$25,000. The majority of the recorded historical cost of assets relates to the buildings and improvements of physical school sites.

The historical cost of land owned by the District is not considered significant and is excluded from total fixed assets. Likewise, the original historical construction cost of most school sites dating back to the date the school was first opened have not been included as such costs would have been fully depreciated by the beginning year date of July 1, 2001.

Long-Term Debt

The District's long-term debt obligations had a beginning balance of \$60,107,124. Additions were \$11,068,336 and deletions were \$3,621,911. At June 30, 2004, the ending balance was \$67,553,549. The majority of the District's long-term debt is comprised of Certificates of Participation (\$18.9 million) and the energy retrofit capital lease (\$32.0 million). The annual debt service requirement on these two obligations approximates \$3.4 million and is funded from the District's General Fund. General Obligation Bonds are an obligation of the City and County of San Francisco, thus they are not reflected on the District's books even though the District uses the proceeds to fund construction projects of the District.

FACTORS BEARING ON THE DISTRICT'S FUTURE

In addition to the Revenue Limit income sources, the District also receives approximately \$145 million of other program funding from the State. Ongoing State cuts in budgets available to schools continue to increase pressure on school districts to take cost-saving measures to ensure financial solvency. The District is currently planning and negotiating strategies for a series of budget cuts for the current and subsequent fiscal years. Large State deficits will possibly continue to constrain the amount of state revenue received by the District. The District has already made some budgetary cuts in 2005 and expects to make additional cuts unless the state's funding of K-12 education substantially improves.

The District has been on a steady course of continuous improvement in academic achievement, closing the achievement gap, improving its facilities, and meeting the priorities of the Board of Education and the Community. It is the District's goal to ensure that all children continue to receive the educational benefits and a positive foundation necessary for them to achieve academic success.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to assist interested parties in understanding the District's sources and uses of resources. If you have questions about this report or need additional financial information, please contact Joseph Grazioli, Chief Financial Officer of the San Francisco Unified School District, 135 Van Ness Avenue, San Francisco, California 94102, (415) 241-6542.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2004

		Governmental
		Activities
Assets		
Cash and cash equivalents	\$	3,036,746
Investments		174,684,875
Receivables		71,902,935
Stores inventories		645,359
Capital assets		512,307,096
Less: Accumulated depreciation		(101,135,728)
Total assets		661,441,283
Liabilities		
Overdrafts		5,703,129
Accounts payable		45,202,530
Deferred revenue		38,316,169
Claim liabilities		30,678,000
Current loans		76,504,110
Current portion of long-term obligations		8,223,541
Noncurrent portion of long-term obligations		59,330,008
Total liabilities		263,957,487
Net Assets		
Invested in capital assets, net of related debt		392,965,443
Restricted for:		
Legally restricted		17,664,997
Capital projects		3,860,300
Special revenues		5,948,140
Unrestricted		(22,955,084)
Total net assets	\$	397,483,796

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 303,280,967	\$ 636,899	\$ 113,744,391	\$ 8,001,614	\$ (180,898,063)
Instruction related activities:					
Supervision of instruction	42,805,540	4,125	41,637,576	-	(1,163,839)
Instructional library and technology	2,766,199	-	721,351	-	(2,044,848)
School site administration	34,538,475	102,986	4,556,966	-	(29,878,523)
Pupil services:					
Home-to-school transportation	20,142,313	-	12,733,571	-	(7,408,742)
Food services	16,641,229	2,069,690	13,685,759	-	(885,780)
All other pupil services	33,438,683	9,331	23,101,099	-	(10,328,253)
General administration:					
Data processing	6,851,870	-	622,070	-	(6,229,800)
All other general administration	69,199,280	267,517	21,094,333	-	(47,837,430)
Plant services	42,465,495	57,748	590,035	-	(41,817,712)
Facility acquisition and construction	5,729,507	-	-	-	(5,729,507)
Anciliary services	1,866,748	-	556,316	-	(1,310,432)
Community services	14,568	-	14,568	-	-
Interest on long-term debt	4,234,015	-	-	-	(4,234,015)
Other outgo	30,340,078	-	5,709,764	-	(24,630,314)
Depreciation (unallocated)	14,473,938	-	-	-	(14,473,938)
Total school district	\$ 628,788,905	\$ 3,148,296	\$ 238,767,799	\$ 8,001,614	(378,871,196)
General revenues and subventions:					
Property taxes, levied for general purposes					265,776,614
Property taxes, levied for debt service					179,371
Taxes levied for other specific purposes					25,851,721
Federal and State aid not restricted to specific purposes					41,390,908
Interest and investment earnings					2,145,924
Miscellaneous					53,586,235
Subtotal, general revenues					388,930,773
Excess of expenses over revenues					10,059,577
Net assets - beginning					390,909,223
Prior Period Adjustments					(3,485,004)
Net assets - ending					\$ 397,483,796

The accompanying notes are an integral part of these financial statements.